

P-421/M-88-981 ACCEPTING REPORTS AND CLOSING DOCKETS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Darrel L. Peterson	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Patrice Vick	Commissioner

In the Matter of Northwestern Bell Telephone Company's Proposal to Introduce Selective Carrier Denial as a Permanent Tariff Offering in Minnesota

ISSUE DATE: May 8, 1990

DOCKET NO. P-421/M-88-981

In the Matter of an Investigation of Disconnection Policies of Local Exchange Companies

DOCKET NO. P999/DI-89-921

ORDER ACCEPTING REPORTS AND
CLOSING DOCKETS

PROCEDURAL HISTORY

On October 10, 1989 the Commission met to consider a proposal by Northwestern Bell Telephone Company (the Company) to introduce Selective Carrier Denial (SCD) as a permanent tariff offering in Minnesota (Docket No. P-421/M-88-981, hereafter referred to as "Docket 981"). In the course of that proceeding, the Commission requested the Department of Public Service (the Department) to conduct an informal investigation regarding current Minnesota local exchange telephone company policies that apply to disconnection of local service for anything other than arrearage in local service bills.

On October 17, 1989 in response to the Commission's request, the Department opened In the Matter of an Investigation of Disconnection Policies of Local Exchange Companies, Docket No. P999/DI-89-921 (hereafter referred to as "Docket 921").

The Department's report of investigation (hereafter referred to as "the Department's 921 report") was due to be submitted to the Commission within sixty (60) days of the commencement of the investigation, on or before January 8, 1990.

On November 13, 1989 the Commission issued an order in the 981 docket regarding the formal decisions made at its October 10, 1989 meeting. Among other things, the Commission ordered Northwestern Bell Telephone Company (the Company) to file a report (hereafter referred to as "the Company's 981 report") detailing the results of its review of the technical and economic feasibility of installing equipment which could deny delinquent toll customers access to the Company's

intraLATA toll network without terminating local service. The Commission granted the Company thirty (30) days from the issue date of the order to file this report. In the Matter of Northwestern Bell Telephone Company's Proposal to Introduce Selective Carrier Denial as a Permanent Tariff Offering in Minnesota, Docket No. P-421/M-88-981, ORDER AUTHORIZING PERMANENT SERVICE OFFERING AND REQUIRING REPORT (November 13, 1989), at 3.

On December 7, 1989 the Company requested a sixty (60) day extension of time in which to file its 981 report.

At the Commission's December 26, 1989 meeting to consider these matters, the Department supported the Company's request for a 60 day time extension to file its report in Docket 981 but reported that the Company had failed to respond to certain requests for information that the Department needed to complete its investigation in Docket 921. The Department requested an order requiring the Company to respond to the information requests and a thirty (30) day extension of time to file a report of its investigation in Docket 921.

On January 4, 1990 the Commission issued an order 1) granting the Company a 60 day extension to February 11, 1990 for filing its report in Docket 981, 2) directing the Company to respond to the Department's information requests forthwith, and 3) granting the Department a 30 day extension to February 8, 1990 to file a report of its investigation in Docket 921.

On February 8, 1990 the Commission granted the Department's request for an extension of time for filing its report in Docket 921 to March 12, 1990.

On February 13, 1990 the Company filed its report in Docket 981 and on March 12, 1990 the Department filed its report of investigation in Docket 921.

On April 24, 1990 the Commission met to consider these matters.

FINDINGS AND CONCLUSIONS

The Commission's current disconnection rule (Minn. Rules, part 7810.1800) provides in pertinent part:

With notice a utility may disconnect service to any customer for any reason stated below. Notice must comply with the requirements of part 7810.2300:

A. for failure of the customer to pay a bill for utility service when due.

This provision was adopted prior to divestiture when most customers received local service and long distance service from the same provider. It has subsequently been interpreted to permit local exchange companies (LEC) to disconnect for nonpayment of long distance charges, even when local charges have been paid in full.

However, new technology and divestiture have cast a different light on the relationship between local and toll service. New technology allows some LECs to disconnect either inter- or intraLATA toll service without disconnecting local toll service. These developments and a general concern for the universal availability of local telephone service led to a reexamination of the Commission's disconnection rule.

In these two dockets, the Commission has gathered information to examine the feasibility and desirability of prohibiting local telephone companies from disconnecting local telephone service for nonpayment of long distance intraLATA toll service. With the submission of reports in each of these dockets, the Commission is prepared to address the status of that policy.

Docket 921: The Department's Report

The Department investigated local exchange companies' policies regarding disconnection of service for reasons other than arrearage in the payment of local service bills. Salient findings were:

1. All of the 25 companies surveyed by the Department disconnect for reasons other than nonpayment of local charges;
2. Disconnection for reasons other than nonpayment of local service bills is authorized by the Commission's current disconnection rule and tariffs filed by each company;
3. Substantial investment and equal access would be required to augment the LECs' capabilities to disconnect toll services without disconnecting local service;
4. The 25 LECs surveyed reported a total of only five (5) customer complaints on this subject.

Docket 981: The Company's Report

The Company reported on the technical and economic feasibility of installing equipment which could deny delinquent toll customers access to the Company's intraLATA toll network without terminating local service, as directed by the Commission's January 4, 1990 Order, and also provided information on the impact that implementing these changes would have on the ratepayers. The Company indicated that these changes were technically feasible at a cost of \$5.6 million for offices serving 87% of its customers and \$60-70 million to upgrade the offices serving the remaining 13% of its customers. Regarding the impact on ratepayers, the Company noted that the burden of uncollectible debt is borne by all ratepayers and argued that the potential increase in uncollectible debt caused by implementing intraLATA toll denial is 250%.

Commission Deliberations

The policy change under consideration would prohibit LECs from disconnecting local service for nonpayment of long distance charges. The record of consumer demand for such a change is scant; LECs report very few customer complaints on this subject. Regarding the burden of such a change on LECs, cases currently pending before the Commission may provide additional information¹ and future technological developments may alter the environment in which this assessment is made. However, the information available to date indicates that implementation of intraLATA toll denial would be costly. Similarly, while it is difficult to chart with certainty the increased bad debt burden on all ratepayers that would be caused by implementing this change, some such burden is clearly foreseeable. By contrast, the current LEC practice of disconnecting local service for nonpayment of long distance charges may well help to control uncollectible bad debt incurred in the toll call market.

Commission Action

The Commission must decide between the benefits of prohibiting disconnection of local services for toll arrearage and the costs of implementing it. Based on the information before it in these dockets, the projected costs outweigh the projected benefits. Accordingly, the Commission will accept the reports as filed, close these dockets, and take no further action on these matters at this time.

ORDER

1. The report of investigation filed by the Department of Public Services in Docket P-999/DI-89-921 is accepted.
2. The report filed by Northwestern Bell Telephone Company in Docket P-421/M-88-981 is accepted.
3. Docket P-999/DI-89-921 and Docket P-421/M-88-981 are hereby closed.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

¹ In the Matter of the Minnesota Independent Equal Access Corporation's Application for a Certificate of Public Convenience and Necessity, Docket No. P-3007/NA-89-76 and In the Matter of Northwestern Bell Telephone Company's d/b/a U S West Communications, Proposed Incentive Regulation Plan, Docket No. P-421/EI-89-860.

Richard R. Lancaster
Executive Secretary

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